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C O N F I D E N T I A L SECTION 01 OF 04 LA PAZ 000096

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STATE FOR WHA A/S SHANNON  
STATE ALSO FOR WHA/AND  
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SUBJECT: BOLIVIA: SCENESETTER FOR A/S SHANNON

REF: A. LA PAZ 06  
[1](#)B. LA PAZ 70

Classified By: Ambassador David N. Greenlee for reasons 1.4d and b.

[1](#)1. (C) Summary: You will arrive in Bolivia at a time of potentially profound transformation, amid an atmosphere of pervasive uncertainty and hope. We have engaged with President-elect Evo Morales (ref), but in a manner indicating something less than a business-as-usual embrace for his government. Morales' signals have been mixed, initially hostile and recently -- did he learn something on his world tour? -- more moderate. The President-elect's relationship with Venezuelan President Hugo Chavez and Cuban dictator Fidel Castro, and the deals he has reportedly struck with them, are of concern. Unlike its recent predecessors, the Movement Toward Socialism (MAS) government will exercise power with a decisive mandate and little opposition from outside its own ranks. At the same time, it will face the same structural challenges of poverty, underdevelopment and exclusion while finding itself besieged by "internal" demands, large and small, that could quickly prove paralyzing -- and it will have no excuses for failing to deliver. Chief among these demands are to nationalize Bolivia's natural resources, establish a Constituent Assembly, gain the extradition of former President Gonzalo Sanchez de Lozada ("Goni"), and -- no easy task -- reward the MAS's innumerable supporters with a limited supply of spoils. In your meeting with Morales, you may wish to reiterate your public statement issued in Brazil about our willingness to seek common ground, while reminding him that our ability to cooperate will depend on his government's respect for our core interests in strengthening democracy, fomenting economic growth and pursuing a credible counter-narcotics strategy. We understand Morales may raise debt forgiveness and the "Goni" trial. End Summary.

New Era  
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¶2. (C) You will arrive in Bolivia at a time of potentially profound transformation, during what some observers are calling the dawn of a new political order. The era of "pacted democracy" is finished, and the traditional parties that dominated that era were virtually erased from the political map in the December 18 elections (the MNR, Goni's party, was an exception). In electing the MAS, most Bolivians voted for change and against those who had failed to provide it in the past, but few understood precisely what such change might entail. Now they are waiting to find out. As a result, the atmosphere here is one of pervasive uncertainty about what's to come. The absence of a clear government plan, and the sometimes contradictory public statements of MAS leaders -- that they will nationalize the country's gas resources while respecting private investment, that they will fight narcotics trafficking while allowing coca to grow freely, that they will respect democratic principles while pursuing a Constituent Assembly whose democratic parameters remain undefined -- have accentuated that uncertainty. At the same time, many Bolivians are hopeful that the future will be more stable, more secure and more satisfactory for more people than the immediate past.

#### No Full Embrace

¶3. (C) After a prolonged period of our holding Evo Morales at arm's length, the Ambassador met with the President-elect earlier this month (ref). The meeting was useful in that it broke the ice, established the necessary conditions for a constructive relationship, and identified the basis for possible future cooperation. But many key bilateral issues remain to be addressed, and the initial rapprochement cannot

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be confused with a full-fledged embrace of the future government. Since that time, to avoid conveying an impression of excessive eagerness or signaling a business-as-usual relationship, we have refrained from reaching out to MAS heavyweights and insiders, including those whose names are being floated for possible ministerial positions. In that sense, we would prefer for them to come to us.

#### Morales' Mixed Signals

¶4. (C) Much will depend on the concrete policy decisions and political alignments of the future government, and Morales' own signals have been decidedly mixed thus far. After winning the election, Morales came out swinging -- screeching "death to Yankees" and calling the U.S. a "terrorist country." This appeared to reflect a failure to make a quick transition from syndicalist leader to President-elect and/or an early strategy to seek new allies and friends and to sideline us. Morales' rhetoric has since moderated. Many analysts suggest that the President-elect's whirlwind world tour may have had a salutary effect, and that the messages he heard in Europe and South Africa in particular awoke in him an incipient awareness of how the wider world actually works, and the real -- vice mythical "imperial" -- role of the U.S. in it. According to recent press reports, Morales has welcomed dialogue with the U.S. and "forgiven" Washington officials for (supposedly) maligning him in the past. Some observers even suggest that Morales, whose principal frame of reference had previously been Bolivia's radical cocalero unions and anachronistic, inward-looking social sectors, has returned to Bolivia a "changed man." But this, in our view, is optimistic.

#### With Friends Like These

¶5. (C) For one, Morales' longstanding public relationship with Venezuelan President Hugo Chavez and Cuban dictator Fidel Castro could be more than just for show. He conceivably shares with those regional autocrats a deeper political vision, and might be planning to assume and maintain power for the long haul, by whatever means

necessary. That Morales traveled around the world on a Venezuelan plane accompanied by Venezuelan bodyguards does little to dispel this impression. In addition, the deal he reportedly struck with Chavez in his most recent visit to Venezuela -- for USD 30 million in free-floating budget support and millions of dollars in diesel donations -- and with Castro in Cuba -- for thousands of Cuban "doctors" and "teachers" to be dispatched to Bolivia's rural areas -- are of serious concern. In a worst-case scenario, they could spell the loosening of Bolivia from its democratic moorings, and the slow implantation of a populist autocracy here.

#### MAS' Unchecked Power

16. (C) In some ways, the MAS government will have virtually unchecked power to implement its plan, such as it exists. The government will control the executive -- unparalleled in Bolivia's recent past where power-sharing and backroom deals among different parties with varying agendas prevailed. It will also have effective control over Congress -- with an outright majority in the Chamber of Deputies and a likely de facto working majority in the Senate (should, as many suspect they will, the UN, MNR and floating Podemos Senators be lured to the MAS' side by the inducements and prizes of power). It will also benefit from a bumper crop of so-called "neo-MASistas" -- the many pragmatic Bolivians who are already accommodating themselves to the new political reality, and who have, retroactively, decided they were MAS supporters all along. According to a mid-January poll, more

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than 65% of Bolivians support the future government, compared to the less than 54% who actually voted for the MAS nationwide on December 18.

17. (C) Nor will there be much outside opposition to the MAS government, at least in the short term. Many analysts see presidential candidate Jorge "Tuto" Quiroga's Podemos organization as primarily an electoral vehicle, with little internal cohesion and even less long-term staying power. (That "Tuto" spent the several weeks following his defeat vacationing with his family in Florida underscored an impression of non-commitment and disarray.) The disadvantages of being in the opposition (the lack of carrots and sticks) and Quiroga's own less than deep pockets will complicate the lives of Podemos legislators, compelling some to choose self-interest over the principled life of opposition politics. Moreover, most of the outside groups that figure as potential national government rivals, including the Santa Cruz private sector and the six non-MAS departmental governors, acknowledge that it would be an exercise in futility to confront the MAS's formidable power at this stage (ref B).

#### Innumerable Demands and No Excuses for Failure

18. (C) But the MAS' overwhelming mandate is also a double-edged sword. The government will face both the full gamut of Bolivia's problems -- massive poverty, unemployment, racial exclusion, poor physical infrastructure and often non-existent basic services etc. -- and the expectation of Bolivia's impoverished majority that things should quickly improve because it is "our turn now." In confronting these challenges, it will have the same paltry tools as its predecessors in the public sector, i.e., the same borderline dysfunctional state apparatus. And most important of all, it will have no outside excuse for failing to deliver. This puts the future government in a paradoxically unenviable, even impossible, position -- because the deep-seated nature of the country's problems do not lend themselves to immediate solutions. (For this reason, we should not be surprised if the government resorts to an outside bogeyman, including U.S. "imperialism" or supposed hostility, to explain its inevitable shortcomings.)

19. (C) The three top demands of the MAS' hard core social

sector supporters -- the immediate nationalization of Bolivia's hydrocarbons and other natural resources, the quick establishment of a Constituent Assembly, and the extradition of former President Gonzalo "Goni" Sanchez de Lozada -- offer no grounds for optimism in this respect. For starters, it is difficult to see how any or all of these demands, even if met, would resolve the real problems in question. Dispassionate observers believe that something more like the opposite might even be true, given the failure of state-led socialism to resolve the problems of wealth and poverty elsewhere in the world, and given the proven inability to "legislate" solutions to structural social and economic problems whenever and wherever that method has been tried.

¶10. (C) Nor is it clear that the demands will be met. The message Morales has heard in Spain, France, Belgium, Brazil and (soon) Argentina regarding transnational investments in Bolivia's hydrocarbons sector might well cause the government to backtrack on (and re-spin) its commitment to nationalization. The government's ability to secure the extradition of Goni will depend on us, and sending the former president to a foreordained conviction in a political show trial goes manifestly against our interests in seeing justice served. For its part, the Constituent Assembly may not seem so appealing as it did before the election, when few foresaw the MAS' dominance in Congress; therefore the government's

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push for it could ease. That said, the government's failure to fulfill these demands would cause rumblings among its hard-core social sector bases, and generate the makings of a potentially powerful opposition from the street.

#### Proliferation of Micro-Demands

¶11. (C) Tensions and divisions will likely be exacerbated by the micro-demands of innumerable MAS' partisans, who are expecting concrete gains in exchange for their electoral support. These start with the expectation for Cabinet and other positions in the future administration. Campesino leader and former MAS Senator Roman Loayza has been quoted in press reports as demanding at least four ministries for his social sector organization, the CSTUCB. According to indigenous contacts, many other groups who (believe they) played a role in the MAS' ascension to power are applying similar pressures. One former indigenous congressman told us that tensions "internal" to the MAS would eventually paralyze the future government, and even bring it down. Other observers emphasize that the MAS is less a party than a conglomeration of syndicalist and social sector entities, and therefore has a plethora of different people with distinct agendas to pay off. Moreover, they continue, being in the government may bring access to great spoils, but this being Bolivia, the supply of spoils is less extensive than it would be in, say, Venezuela. This means that the government will be seriously constrained in its actions from the start.

#### Your Meeting with Morales

¶12. (C) In your prospective meeting with Morales, tentatively scheduled for the afternoon of January 21, you may wish to reiterate our willingness to seek common ground. (Your comments from Brazil earlier this month regarding the U.S.' openness to dialogue with the future Bolivian government played well in the media here. They also undercut the credibility of Venezuelan President Hugo Chavez's accusations that the Embassy was plotting to overthrow Morales.) At the same time, you can remind the President-elect that our ability to cooperate depends on his government's actions on issues relating to our core interests in strengthening the institutions and practices of democracy, fomenting economic growth for the benefit of all and pursuing a credible counter-narcotics strategy. You will want to elicit more clarity on Morales' view of the role of eradication in that strategy. According to VP-elect Alvaro Garcia Linera, Morales may also raise debt forgiveness for

Bolivia, the "Goni" trial and other trade and aid-related  
questions with you.  
GREENLEE